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Supreme Court, U. S.

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No. 98-531

IN THE

**Supreme Court of the United States**

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY  
EDUCATION EXPENSE BOARD,

*Petitioner,*

vs.

COLLEGE SAVINGS BANK and  
UNITED STATES OF AMERICA,

*Respondents.*

ON PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

**BRIEF IN OPPOSITION FOR RESPONDENT  
COLLEGE SAVINGS BANK**

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**COUNTERSTATEMENT OF QUESTION PRESENTED**

Does Congress have constitutional authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and prevent them from depriving patent owners of their patent property without due process of law and just compensation by enacting legislation that provides patent owners with a remedy in the form of an action for patent infringement against the States in the federal courts under § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h) and 296?

# STATEMENT OF INTERESTED PARTIES

The interested parties are identified correctly in the "Statement of Interested Parties" that appears at page *ii* of Petitioner Florida Prepaid Postsecondary Education Expense Board's "Petition for Writ of Certiorari."

Respondent College Savings Bank does not have a parent corporation and has only one subsidiary, a wholly-owned subsidiary known as College Savings Trust located in Helena, Montana.

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# **ADDITIONAL CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED**

Article I, Section 8, Clause 5 provides that:

The Congress shall have power . . .

\* \* \*

[t]o coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures . . .

The Fifth Amendment of the United States Constitution provides, in pertinent part:

[N]or shall private property be taken for public use, without just compensation.

28 U.S.C. § 1338(a) provides that:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

28 U.S.C. § 1404(a) provides that:

For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

28 U.S.C. § 2201 provides, in pertinent part:

(a) In a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the

filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2202 provides that:

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

35 U.S.C. § 284 provides that:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

35 U.S.C. § 285 provides that:

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

## INTRODUCTION

Section 1 of the Fourteenth Amendment provides in part that: "No State shall . . . deprive any person of life, liberty, or property, without due process of law." Section 5 states that: "Congress shall have the power to enforce, by appropriate legislation, the provisions of this article."

In the courts below, Petitioner Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid") twice demanded that the Fourteenth Amendment be rewritten to create an exception to the substantive protection it guarantees against state-sanctioned deprivation of property without due process of law and just compensation. According to Petitioner, Congress, in the wake of this Court's decision in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), has authority under § 5 of the Fourteenth Amendment to enact legislation appropriate to enforce the substantive guarantees of § 1 and prohibit the States from depriving persons of their property without due process of law, *except for property created by Congress pursuant to its authority under Article 1 of the Constitution*.

The District Court for the District of New Jersey and the United States Court of Appeals for the Federal Circuit rejected Florida Prepaid's proposed modification of the Fourteenth Amendment and Florida Prepaid's arguments about this Court's decision in *Seminole Tribe*. Florida Prepaid now asks this Court to consider the question whether a United States patent is "property" protected from state-sponsored deprivation under § 1 of the Fourteenth Amendment, and the question whether Congress is authorized by § 5 to enact legislation that provides patent owners with a remedy in the federal courts for state-sponsored patent infringement, thereby preventing the States from depriving patentees of their property without due process of law and just compensation.

Florida Prepaid's questions merit no further consideration than that already afforded the Petitioner by the District Court and by the Court of Appeals. For the reasons set forth below, Respondent College Savings Bank respectfully submits that this Court should deny Florida Prepaid's "Petition for Writ of Certiorari" and decline to review the Court of Appeals for the Federal Circuit's decision holding that the enactment of 35 U.S.C.

§§ 271(h) and 296 by Congress was authorized by the Fourteenth Amendment and appropriate to deter and remedy patent infringement by the States.

### COUNTERSTATEMENT OF THE CASE

Respondent College Savings Bank ("CSB") is a savings bank located in and chartered by the State of New Jersey. Since 1987, CSB has been engaged in the business of selling a certificate of deposit contract known as the "CollegeSure® CD." Unlike conventional certificates of deposit offered by other banks, the CollegeSure® CD is unique, in part because the return on the contract is linked to the rate of inflation of the costs of college. In exchange for the deposit of funds by customers, CSB agrees to provide purchasers of the CollegeSure® CD a return guaranteed to be sufficient to fund the uncertain future cost of a college education. CSB administers the CollegeSure® CD program and satisfies its obligations to purchasers using data processing apparatus and methods described and claimed in CSB's United States Patent No. 4,722,055 ("the '055 patent"). *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1345 (Fed. Cir. 1998) (App. A at 2a); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 948 F. Supp. 400, 401 (D.N.J. 1996), *aff'd*, 148 F.3d 1343 (Fed. Cir. 1998) (App. B at 28a).

Florida Prepaid is a "body corporate" of the State of Florida, an entity created by statute to manage and operate the Florida Prepaid Postsecondary Education Expense Program. Fla. Stat. § 240.551. As a "body corporate," Florida Prepaid has the power to "sue and be sued" in its own right. Fla. Stat. § 240.551(5)(c)(2). Like CSB, Florida Prepaid enters into contracts in which Florida Prepaid, in exchange for money invested by purchasers, agrees to provide a return guaranteed to be sufficient to pay the uncertain costs of college at specified dates in the future. *College Sav. Bank*, 148 F.3d at 1345 (App. A at 2a); *College Sav. Bank*, 948 F. Supp. at 401-02 (App. B at 28a-29a). Florida Prepaid employs a number of private firms, including accounting firms, investment services firms, actuaries, banking services firms, marketing firms, insurance services firms, records administration firms and distributors to administer and market its infringing program. These private firms include First Union National Bank, Coopers & Lybrand, Ernst & Young,

U.S. Trust Company, InTuition Solutions, NationsBank, Watson Wyatt Investment Consulting, Shields/Alliance, T. Rowe Price Associates and others.

CSB commenced this action for patent infringement against Florida Prepaid on November 7, 1994 in the United States District Court for the District of New Jersey pursuant to § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992); 35 U.S.C. §§ 271(h) and 296 ("Patent Remedy Act"), which expressly abrogates the Eleventh Amendment immunity of the States and makes them amenable to actions for patent infringement in the federal courts. CSB believes that Florida Prepaid uses CSB's patented methods and apparatus to administer the Florida Prepaid Postsecondary Education Expense Program and the college prepayment contracts that Florida Prepaid enters into with customers across the United States. The patent in suit, CSB's '055 patent, describes and claims data processing methods and apparatus for implementing and administering an insurance investment program that provides a future return adequate to pay the cost of a college education in return for a present investment determined on the basis of current college cost data and projections about the rate of increase of college costs. *College Sav. Bank*, 148 F.3d at 1345-46 (App. A at 2a-3a); *College Sav. Bank*, 948 F. Supp. at 401-02 (App. B at 28a-30a).

Florida Prepaid answered CSB's Complaint on May 16, 1995, after unsuccessfully moving to dismiss the action under Fed. R. Civ. P. 12(b)(6) for failure to state a claim, and, in the alternative, to transfer the action from the District Court in New Jersey to the United States District Court for the Northern District of Florida on *forum non conveniens* grounds under 28 U.S.C. § 1404(a). Florida Prepaid also invoked the jurisdiction of the District Court in New Jersey under 28 U.S.C. § 1338(a) and 28 U.S.C. §§ 2201 and 2202 by serving and filing a counterclaim affirmatively seeking an injunction and a judgment declaring that: 1) Florida Prepaid does not infringe CSB's '055 patent; and 2) CSB's '055 patent is invalid and unenforceable. *College Sav. Bank*, 948 F. Supp. at 402-03 (App. B at 31a).

On March 27, 1996, this Court handed down its decision in *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), affirming the 1994 ruling of

the United States Court of Appeals for the Eleventh Circuit that the Indian Commerce Clause of the Constitution (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the States' Eleventh Amendment immunity from suit in the federal courts. *Seminole Tribe*, 517 U.S. at 76. The Court's decision in *Seminole Tribe* also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), holding that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the States' Eleventh Amendment immunity. *Seminole Tribe*, 517 U.S. at 66. The Court's decision in *Seminole Tribe* did not — Florida Prepaid's representations to the District Court to the contrary notwithstanding<sup>1</sup> — implicate the Fourteenth Amendment. The Court of Appeals for the Eleventh Circuit expressly held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe of Fla. v. Florida*, 11 F.3d 1016, 1025 (11th Cir. 1994) (emphasis added), *aff'd*, 517 U.S. 44 (1996).

*Seminole Tribe* did not alter this Court's prior holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) that § 5 of the Fourteenth Amendment does authorize Congress to abrogate the States' Eleventh Amendment immunity and enact legislation designed to enforce the substantive provisions of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59. In *Fitzpatrick*, this Court held:

[We] think that the Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce "by appropriate legislation" the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the

1. The District Court rejected Florida Prepaid's assertion that the Eleventh Circuit held in *Seminole Tribe* that the Fourteenth Amendment does not authorize Congress to abrogate the immunity of the States, and observed that the Eleventh Circuit actually found that the statute at issue in *Seminole Tribe* did not implicate the Fourteenth Amendment. *College Sav. Bank*, 948 F. Supp. at 404 n.4 (App. B at 36a).

constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state authority. We think that Congress may, in determining what is "appropriate legislation" for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

*Fitzpatrick*, 427 U.S. at 456 (citations and footnote omitted).

In fact, this Court explicitly recognized in *Seminole Tribe* that its holding that Congress cannot abrogate the States' Eleventh Amendment immunity pursuant to the Interstate Commerce Clause is inapplicable to cases where Congress enacts legislation pursuant to the Fourteenth Amendment that abrogates the States' immunity from suit:

*Fitzpatrick* was based upon a rationale wholly inapplicable to the Interstate Commerce Clause, viz., that the Fourteenth Amendment, adopted well after the adoption of the Eleventh Amendment and the ratification of the Constitution, operated to alter the pre-existing balance between state and federal power achieved by Article III and the Eleventh Amendment.

*Seminole Tribe*, 517 U.S. at 65-66.

On May 14, 1996, a year and half into this lawsuit, Florida Prepaid moved to dismiss CSB's patent infringement action for lack of subject matter jurisdiction, asserting that 35 U.S.C. §§ 271(h) and 296 are unconstitutional, and that Florida Prepaid is immune under the Eleventh Amendment from suits in the federal courts for patent infringement.

On December 13, 1996, the District Court denied Florida Prepaid's motion to dismiss. *College Sav. Bank*, 948 F. Supp. 400 (App. B at 27a). The District Court held that patents are property, and that § 5 of the Fourteenth Amendment authorizes the legislation Congress enacted to prevent the States from depriving patent owners of their property without due process of law and just compensation:

"That a patent is property, protected against appropriation both by individuals and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 65 S.Ct. 373, 387, 89 L.Ed. 322 (1945).

\* \* \*

In sum, a patent is "property" for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act. Moreover, Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause. It necessarily follows, therefore, that Congress may, pursuant to Section 5 of the Fourteenth Amendment, enact appropriate legislation to make states amenable to suit in federal court for allegedly depriving patentees of their patent property without compensation and without due process of law.

*College Sav. Bank*, 948 F. Supp. at 423, 425-26 (App. B at 85a-86a).

In reaching its decision, the District Court expressly rejected Florida Prepaid's contentions, including Florida Prepaid's argument that "the Fourteenth Amendment can only be used to remedy 'insidious discrimination.'" *College Sav. Bank*, 948 F. Supp. at 423-26 (App. B at 81a-82a). The District Court stated that the "language of the [Fourteenth] Amendment reaches far beyond" remedying "the kind of 'insidious discrimination' against the newly-freed slaves that prompted its adoption," and observed that "the Supreme Court has repeatedly applied it, according to its terms, outside the context of civil rights." *College Sav. Bank*, 948 F. Supp. at 423-24 (App. B at 81a). As examples of the authorities that make it clear the scope of the Fourteenth Amendment is not limited to the prohibition of discrimination, the District Court cited this Court's decisions in: *Tulsa Prof'l Collection Servs., Inc. v. Pope*, 485 U.S. 478, 485 (1988); *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 538-39 (1985); *Mennonite Bd. of Missions v. Adams*, 462 U.S. 791, 798-800 (1983); and *Mathews v. Eldridge*, 424 U.S. 319, 332 (1976). *College Sav. Bank*, 948 F. Supp. at 424 (App. B at 81a-82a).

Florida Prepaid appealed from the District Court's decision on February 11, 1997. On June 30, 1998, the Court of Appeals for the Federal Circuit denied Florida Prepaid's appeal, rejecting many of the same arguments Florida Prepaid unsuccessfully advanced in the District Court. In response to Florida Prepaid's argument that the authority of Congress under § 5 of the Fourteenth Amendment is confined to legislation enforcing the Equal Protection Clause and prohibiting discrimination, the Court of Appeals acknowledged it is undeniable that the Civil War Amendments were adopted to address state-sponsored racial discrimination, but noted that:

Equally undeniably, the Supreme Court has enforced the Due Process Clause of the Fourteenth Amendment against the states and has read it expansively to prohibit state actions wholly unrelated to discrimination of any sort. Florida Prepaid cites no authority forbidding Congress from enacting statutes that abrogate state immunity in order to protect persons from property deprivations without due process of law. Surely the enforcement power of Congress under section 5 must embrace the full range of behavior that the Supreme Court has held to violate the substantive provisions in section 1 of the Amendment. We therefore reject the proposition that congressional authority under section 5 is restricted to only a certain provision of the Fourteenth Amendment, namely the Equal Protection Clause.

*College Sav. Bank*, 948 F.3d at 1349 (citations omitted) (App. A at 11a-12a).

Florida Prepaid argued on appeal that Congress cannot exercise its authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States and provide patent owners with a remedy for state-sponsored patent infringement because: (1) patents are property created by federal statutes Congress promulgated in an exercise of its authority under Article I of the Constitution; and (2) this Court's decision in *Seminole Tribe* held that Article I does not authorize Congress to abrogate the States' Eleventh Amendment immunity. The Court of Appeals articulated Florida Prepaid's argument and rejected it with the following language:

Florida Prepaid next argues that the objective of the Patent Remedy Act is impermissible because, if we were to allow it, Congress would be able to abrogate state sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*. This is because the "property" protected by Congress under the Fourteenth Amendment, in this case a patent, is federally created property under Title 35 of the U.S. Code. Florida Prepaid asserts that, just as Congress created the patent system, it could ostensibly choose to create any sort of property using its Article I powers, and then, argues Florida Prepaid, abrogate the states' immunity to suit for the deprivation of that property . . . .

\* \* \*

[B]ecause the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it expressly qualified the principle of sovereign immunity . . . . When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. *Fitzpatrick* teaches so, and we adhere to its reasoning.

Although there may be some property interests that are not protected by the Fourteenth Amendment, and discriminating between property interests that are protectable under the Fourteenth Amendment and those that are not may prove a difficult task, such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states . . . . To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

If the reasoning of *Fitzpatrick* is to retain vitality, it must be that protecting a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment . . . . The objective of the Patent Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.

*College Sav. Bank*, 148 F.3d at 1351-52 (citations omitted) (App. A at 15a-18a).

After holding that the objective of the Patent Remedy Act — providing patent owners with a remedy for state-sponsored deprivation of patent property — is constitutionally legitimate, the Court of Appeals rejected Florida Prepaid's argument that under this Court's decision in *City of Boerne v. Flores*, 521 U.S. 507, 117 S. Ct. 2157 (1997), "the means by which Congress sought to protect the patent right are out of proportion to the harm that the Patent Remedy Act endeavors to prevent." *College Sav. Bank*, 148 F.3d at 1352 (App. A at 18a-19a). The Court of Appeals addressed the issue in part as follows:

[W]hen states infringe patents, they cause considerable harm to the patentee and the patent system as a whole. Absent the right to sue a state under Title 35 for infringement, a patent declines drastically in value . . . . Furthermore, without the disincentive provided by the patent law's damages provisions, a patentee of inventions utilized primarily by states would suffer even greater harm, because an overwhelming portion, rather than a minor subset, of the potential market would be more apt to infringe or to procure cheaper infringing devices until the patentee brings suit. This would render the patentee's patent almost worthless. See *James v. Campbell*, 104 U.S. 356, 358, 26 L. Ed. 786 (1882) [sic] [1881] (stating with regard to infringement by the federal government: "Many inventions relate to subjects which can only be properly used by the government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments.").

\* \* \*

[T]he burden that the Patent Remedy Act places on states is slight, and it is not disproportionate or incongruous with the significant harm to patent holders who, absent abrogation of Eleventh Amendment immunity, would be unable to enforce fully the rights conveyed by their patent. The Patent Remedy Act thus achieves the congruence between the injury to be prevented and the means adopted to remedy the injury that distinguishes a permissible, remedial exercise of Congress' power under the Fourteenth Amendment from an impermissible extension of the substance of the Fourteenth Amendment rights themselves.

*College Sav. Bank*, 148 F.3d at 1354-55 (citations omitted) (App. A at 23a-25a).

After finding that Congress clearly expressed its intent to abrogate the States' Eleventh Amendment immunity from suits for patent infringement in the federal courts and that Congress abrogated the States' immunity in a valid exercise of Congress' constitutional authority under the Fourteenth Amendment, the Court of Appeals affirmed the District Court's decision denying Florida Prepaid's motion to dismiss. The Court of Appeals expressly noted that it did not reach CSB's arguments that: (1) the District Court erroneously held that *Parden v. Terminal Ry. of Ala. State Docks Dep't*, 377 U.S. 184 (1964) was "overruled by implication by *Seminole Tribe*"; (2) under *Parden*, which applies here, Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had by continuing to market and administer a prepaid college tuition program that infringes CSB's '055 patent after Congress enacted the Patent Remedy Act in 1992; and (3) the District Court erroneously held that Florida Prepaid did not waive any claim of immunity it may have had by appearing in this action, by moving to transfer the case under 28 U.S.C. § 1404(a) from one district court to another of its choosing "where it might have been brought," and by affirmatively counterclaiming for a judgment declaring CSB's '055 patent invalid, not infringed and unenforceable. *College Sav. Bank*, 148 F.3d at 1345 (App. A at 1a-2a).

On September 29, 1998, the Clerk of this Court docketed Florida Prepaid's "Petition for Writ of Certiorari."

## REASONS FOR DENYING THE WRIT

Florida Prepaid asserts in its Petition that "[a]llowing private parties to sue states for patent infringement in federal courts works a drastic, nationwide change in the law of sovereign immunity . . ." Florida Prepaid's Petition for Writ of Certiorari, page 6 (cited hereafter as "Petition, p. \_\_"). Florida Prepaid is wrong. Congress' enactment of the Patent Remedy Act and the District Court's and Court of Appeals' decisions upholding the constitutionality of that legislation were rooted firmly in long-standing Supreme Court precedent. An examination of that precedent demonstrates the decisions below worked *no* change in the law of sovereign immunity — let alone a "drastic" change — and that those decisions are entirely consistent with precedent decided by this Court extending back in time for more than one hundred years. The courts below needed only to apply well-settled principles of constitutional law to arrive at the decisions about which Florida Prepaid complains.

It has been settled for more than a century that the rights secured by a patent are property, and that patent property rights are no different in the eyes of the Constitution than any other property right. "Rights secured to an inventor by letters-patent are property . . ." *Union Paper-Bag Machine Co. v. Murphy*, 97 U.S. 120, 121 (1877). "A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions." *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876).

The Takings Clause of the Fifth Amendment — "nor shall private property be taken for public use, without just compensation" — prohibits the federal government from taking patent property without just compensation:

That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by

the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

*James v. Campbell*, 104 U.S. 356, 357-58 (1881). See *William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) ("rights secured under the grant of letters patent by the United States . . . [are] property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use without adequate compensation"); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 191 (1933) (" '[t]he government has no more power to appropriate a man's property invested in a patent than it has to take his property in real estate' ") (citation omitted).

This Court's decisions make it plain that the prohibition of the Takings Clause applies with equal force to the States:

The pertinent words of the Fifth Amendment of the Constitution of the United States are the familiar ones: "nor shall private property be taken for public use, without just compensation." *That prohibition, of course, applies against the States through the Fourteenth Amendment.*

*Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 160 (1980) (emphasis added). Patent infringement constitutes a "taking." This Court stated in *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 648 (1915), that "the exclusive right conferred by the patent [is] property, and the infringement [is] a tortious taking of a part of that property . . . ."<sup>2</sup>

2. There is no doubt that if Florida Prepaid had taken CSB's land, rather than CSB's patent, such an uncompensated taking would violate the substantive prohibition of the Fourteenth Amendment. *Dolan v. City of Tigard*, 512 U.S. 374, 384 (1994) ("Without question, had the city simply required petitioner to dedicate a strip of land . . . for public use . . . a taking would have occurred. Such public access would deprive petitioner of the right to exclude others, 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.' "). Florida Prepaid asks this Court to treat Florida Prepaid's taking of

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Section 1 of the Fourteenth Amendment expressly prohibits the States from depriving persons of their property without due process of law, and, through incorporation of the Fifth Amendment, expressly prohibits the States from taking property without just compensation. Section 5 of the Fourteenth Amendment expressly authorizes Congress to enforce the substantive provisions of § 1 by appropriate legislation. This Court's decisions make it plain that § 5 authorizes Congress to enforce all of the provisions of § 1 against the States, including the Due Process Clause. See *City of Boerne*, 117 S. Ct. at 2163 ("The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment.").

This Court's decisions also have established that Congress is authorized by § 5 of the Fourteenth Amendment to enact legislation to enforce all the substantive provisions of the Fourteenth Amendment against the States notwithstanding the immunity granted to the States by the Eleventh Amendment. In *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 238 (1985), for example, this Court held:

[T]he Eleventh Amendment is "necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment," that is, by Congress' power "to enforce, by appropriate legislation, the substantive provisions of the Fourteenth Amendment." *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976). As a result, when acting pursuant to § 5 of the Fourteenth Amendment, Congress can abrogate the Eleventh Amendment without the States' consent.

See also *Seminole Tribe*, 517 U.S. at 59.

In the face of all of this precedent, Florida Prepaid cannot fairly claim that the Court of Appeals' decision upholding the constitutionality of the Patent Remedy Act "works a drastic . . . change in the law of sovereign immunity." A patent is property. The Fourteenth Amendment

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CSB's patent property differently than it would a taking of CSB's land, but offers no sound constitutional reason why this Court should ignore a century of precedent holding that patent property is entitled to the same protection under our Constitution as land.

expressly prohibits the States from depriving property owners of their property without due process of law. This Court often has enforced the Due Process Clause of the Fourteenth Amendment to prevent States from depriving persons of their property without due process of law. *See, e.g., Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 576-77 (1972). This Court long has held that the Takings Clause of the Fifth Amendment prevents the Federal Government from taking patent property without just compensation, and that the Takings Clause applies with equal force to the States. Patent infringement is a taking. Section 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the Due Process and Takings Clauses against the States. Congress explicitly enacted 35 U.S.C. §§ 271(h) and 296 pursuant to its authority under § 5 of the Fourteenth Amendment. *Infra*, p. 16. The Court of Appeals' decision did not depart from any of this Court's established sovereign immunity jurisprudence. Instead, the Court of Appeals' decision stands for the unremarkable proposition that § 1 of the Fourteenth Amendment prohibits the States from depriving property owners — including patentees — of their property without due process of law and just compensation, and that § 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the prohibitions of § 1 against the States.

Florida Prepaid contends in its Petition that:

the result and reasoning of the Court of Appeals conflict with two landmark decisions of this Court: *Seminole Tribe of Florida v. Florida* with respect to the Eleventh Amendment, and *City of Boerne v. Flores* with respect to the Fourteenth Amendment.

Petition, p. 6. Florida Prepaid is wrong. *Seminole Tribe* is inapposite to the question addressed and decided by the Court of Appeals: Does Congress have authority under § 5 of the Fourteenth Amendment to enact legislation appropriate to prevent the States from depriving a property owner of *property* without due process of law and just compensation? The statute at issue in *Seminole Tribe* "create[d] no liberty or property interests" and therefore did not "implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025. *Seminole Tribe* did not address the question whether Congress is authorized under § 5 of the Fourteenth Amendment to enact statutes — like 35 U.S.C. §§ 271(h) and 296 —

prohibiting the States from taking *property* without due process of law and just compensation. That question is controlled by this Court's holding in *Fitzpatrick*, where this Court "held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment . . ." *Seminole Tribe*, 517 U.S. at 59.

*Seminole Tribe* held that Article I — *not* the Fourteenth Amendment — does not authorize Congress to abrogate the States' Eleventh Amendment immunity from suit. Article I is the source of Congress' authority to create patent property, but it says nothing about prohibiting the States from taking patents or any other form of property. When Florida Prepaid took CSB's property by infringing CSB's '055 patent, Florida Prepaid ran afoul of the express prohibition of § 1 of the Fourteenth Amendment — not of any of the provisions of Article I. The fact that patent property rights were created by Congress in an exercise of its authority under Article I has nothing to do with whether the Fourteenth Amendment authorizes Congress to enact legislation to prevent States from depriving patentees of that property without the due process and just compensation guaranteed by the Fourteenth Amendment. The question presented in *Seminole Tribe* is not related to the question decided by the Court of Appeals in this case.

The Court of Appeals' decision that Florida Prepaid asks this Court to review is wholly consistent with this Court's decision in *City of Boerne*, 117 S. Ct. 2157. In fact, the Court of Appeals took great pains to follow carefully the precedent set by *City of Boerne*:

The Supreme Court's decision in *City of Boerne* guides our analysis as we attempt to discern whether the Patent Remedy Act is an appropriate means through which Congress exercised its power to enforce the substantive guarantees of the Fourteenth Amendment.

*College Sav. Bank*, 148 F.3d at 1352 (App. A at 19a).

In *City of Boerne*, this Court stated that:

The "provisions of this article," to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment . . .

([T]here is “no doubt of the power of Congress to enforce by appropriate . . . sanction every right guaranteed by the Due Process Clause of the Fourteenth Amendment”).

*City of Boerne*, 117 S. Ct. at 2163-64 (citations omitted). There is no doubt that Congress enacted 35 U.S.C. §§ 271(h) and 296 to “enforce” rights expressly enumerated in and guaranteed by the Due Process Clause of the Fourteenth Amendment. The legislative history of the Patent Remedy Act makes this absolutely clear:

[T]he bill is justified as an acceptable method of *enforcing* provisions of the fourteenth amendment. The court in *Lemelson v. Ampex Corp.*, [372 F.Supp. 708, 181 USPQ 313 (N.D. Ill. 1974)], recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law . . . . Furthermore, the fourteenth amendment gives Congress the authority to *enforce* this right. S. 758 and S. 759 represent a valid extension of Congress’ right to protect the property rights of patent and trademark holders.

S. Rep. No. 102-280, at 8 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3094 (emphasis added) (footnotes omitted).

In *City of Boerne*, this Court held that the Religious Freedom Restoration Act (“RFRA”) was unconstitutional because — unlike 35 U.S.C. §§ 271(h) and 296 — it does not *enforce* a right guaranteed by the Fourteenth Amendment. The Court in *City of Boerne* determined that the RFRA altered, rather than enforced, rights guaranteed by the Fourteenth Amendment:

Legislation which alters the meaning of the Free Exercise Clause cannot be said to be enforcing the Clause. Congress does not enforce a constitutional right by changing what the right is. It has been given the power “to enforce,” not the power to determine what constitutes a constitutional violation. Were it not so, what Congress would be enforcing would no

longer be, in any meaningful sense, the “provisions of [the Fourteenth Amendment].”

117 S. Ct. at 2164.

In *City of Boerne*, however, this Court observed that:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress’ enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into “legislative spheres of autonomy previously reserved to the States.”

117 S. Ct. at 2163 (citation omitted). Congress enacted the Patent Remedy Act to “deter” and “remedy” a clear “constitutional violation” — the taking of privately-owned patent property by States without due process of law and just compensation. Congress explicitly stated that it enacted 35 U.S.C. §§ 271(h) and 296 to “rectify” problems associated with the States being allowed to infringe patents with impunity:

Allowing a state to freely infringe upon the protection granted by the Patent Code and the Trademark Act effectively discourages future innovative [sic] [innovation].

\* \* \*

This legislation will *rectify* the situation and provide uniform protection throughout the patent and trademark systems.

S. Rep. No. 102-280, at 8-9 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3094-95 (emphasis added).

Congress cited a number of *reported* instances of state-sponsored patent infringement as providing some of the impetus for its decision to enact the Patent Remedy Act.<sup>3</sup> S. Rep. No. 102-280, at 5-6 (1992),

3. There is no way to know, of course, how many unreported instances of state-sponsored patent infringement existed at the time Congress enacted 35 U.S.C. §§ 271(h) and 296.

reprinted in 1992 U.S.C.C.A.N. 3087, 3091-92. See *College Sav. Bank*, 148 F.3d at 1353-54 (App. A at 21a-22a). Congress determined that it was necessary, in light of the harm caused by state-sponsored patent infringement, to enact legislation that provides patent owners with a remedy in the form of an action for patent infringement in the federal courts to ensure that patent owners are not deprived of their property by the States without due process of law and just compensation. Congress' exercise of its remedial authority under § 5 of the Fourteenth Amendment is entitled to deference. *City of Boerne*, 117 S. Ct. at 2172 (citation omitted) ("It is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference.").

Florida Prepaid contends in its Petition that "[t]he Federal Circuit's decision also conflicts with a decision from the Fifth Circuit, *Chavez v. Arte Publico Press*" and that "[t]his Court should therefore grant certiorari here to resolve the conflict . . ." Petition, pp. 6, 26. Florida Prepaid's reliance on the Fifth Circuit's April 20, 1998 decision in *Chavez* to create a conflict in the circuit courts that warrants this Court's intervention is premature. At the time Florida Prepaid submitted its "Petition for Writ of Certiorari," suggestions for rehearing *en banc* were pending in *Chavez*. On October 1, 1998, the Fifth Circuit: (1) granted the suggestions for rehearing; and (2) revised and superseded its original opinion (reported at 139 F.3d 504 (5th Cir. 1998)) in *Chavez*. The Fifth Circuit's modified opinion (*Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998)) includes a strong dissent by Circuit Judge Wisdom reflecting his change of mind, and his disagreement with the views expressed by the other Judges on the panel that Congress lacks authority under § 5 of the Fourteenth Amendment to abrogate the States' immunity under the Eleventh Amendment and subject the States to suits in the federal courts for copyright and trademark infringement. Judge Wisdom squarely rejected the constitutional analysis and the interpretation of *Seminole Tribe* adopted by the other two Judges in *Chavez* (the same analysis that Florida Prepaid advances here), and expressly embraced the constitutional analysis and rationale adopted by the Court of Appeals for the Federal Circuit in this case that led to the Federal Circuit's decision that Congress has authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the States to provide patent owners with a remedy in the federal courts against the States for patent infringement.

After concluding that Congress was pursuing a legitimate objective in enacting legislation subjecting the States to actions for copyright and trademark infringement in the federal courts pursuant to its authority under § 5 of the Fourteenth Amendment, and that there is proportionality and congruence between the means Congress employed to achieve that objective and the harm to be prevented, Judge Wisdom concluded that:

Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

*Chavez*, 157 F.3d at 297-98 (Wisdom, J., dissenting).

Argument on the *en banc* rehearing in *Chavez* tentatively is scheduled for January 18, 1999. In light of these developments, CSB believes that Florida Prepaid's reliance on the original *Chavez* opinion to create a conflict warranting review here is premature.

Florida Prepaid complains in its Petition that "[t]he money damages that can be available in patent infringement suits are precisely the type of threat to state finances and state sovereignty that the Eleventh Amendment was intended to eliminate." Petition, p. 7. Florida Prepaid's argument on this score ignores the States' constitutional obligations under the Fourteenth Amendment. The damages available in patent infringement actions are designed to justly *compensate* patent owners whose patent property has been taken from them and improperly used by infringers. 35 U.S.C. § 284 ("Upon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement . . . for the use made of the invention by the infringer . . .*"). Payment of damages sufficient to compensate the owner of the patent for the value of the improper use made of the patented property by the State satisfies the States' constitutional obligation under the Fourteenth Amendment to pay just compensation to patent owners whose patented inventions are taken by the States. The law is clear that the States' sovereignty is "limited by the enforcement provisions of § 5 of the Fourteenth Amendment." *Fitzpatrick*, 427 U.S. at 456. Providing patent owners with a remedy and making States accountable for the property they take without

compensation is no threat to the States' sovereignty — the States ceded that portion of their sovereignty when they ratified the Fourteenth Amendment.

Florida Prepaid's complaints about the potential size of patent infringement damages (Petition, p. 8) ring hollow.<sup>4</sup> As a constitutional matter, infringing States are obliged to justly compensate patentees for property they take without regard to whether such compensation is paid in the context of a patent infringement action in a federal court or by way of some other proceeding or mechanism. The truth is that Florida Prepaid simply does not want to compensate CSB for the patent property it improperly appropriated from CSB. Absent a federal forum and a remedy in the form of an infringement action against the States, patentees would be hard pressed to obtain due process of law or just compensation either directly from the States or by asserting the "Takings Clause" in proceedings in state courts that lack experience adjudicating the issues that ordinarily arise in patent infringement actions.

At the time Congress enacted the Patent Remedy Act, Congress was well aware that the individual state courts are not as well equipped to adjudicate issues of patent validity and claim construction as the federal courts. By vesting exclusive jurisdiction over patent infringement actions in the federal courts (28 U.S.C. § 1338(a)), and by providing patent owners with a remedy in the federal courts and an experienced forum, Congress made certain that patentees are afforded the due process and just compensation for patent property taken by the States that is guaranteed by § 1 of the Fourteenth Amendment. This Court recognized long ago in *Strauder v. West Virginia*, 100 U.S. 303, 311 (1879) (emphasis added), that:

there is express authority to protect the rights and immunities referred to in the Fourteenth Amendment, and to enforce observance of them by appropriate congressional legislation. *And one very efficient and appropriate mode of extending*

4. While complaining about the possibility of being held accountable for infringing CSB's patent and paying just compensation for the property it has taken from CSB, Florida Prepaid says nothing about how it has used that property to accumulate reserves that exceed a quarter of a billion dollars.

*such protection and securing to a party the enjoyment of the right or immunity, is a law providing for the removal of his case from a State court, in which the right is denied by State law, into a Federal court where it will be upheld.* This is an ordinary mode of protecting rights and immunities conferred by the Federal Constitution and laws.

Florida Prepaid also complains in its Petition that "States now may be haled into a federal court across the country, as occurred here, when Florida Prepaid was required to defend itself in New Jersey." Petition, p. 8. Florida Prepaid fails to acknowledge that the reason it was "haled" into the United States District Court for the District of New Jersey is that it is doing business in New Jersey in competition with CSB. Florida Prepaid entered into contracts with New Jersey residents pursuant to which Florida Prepaid agreed to administer its prepaid college tuition program and the contracts themselves using methods and apparatus covered by CSB's '055 patent. Florida Prepaid *never* has alleged that the District Court in New Jersey lacks personal jurisdiction over Florida Prepaid. Florida Prepaid moved to transfer the action to a Federal Court in Florida under 28 U.S.C. § 1404(a) on *forum non conveniens* grounds, but the District Court denied that motion. Florida Prepaid's cry to the contrary notwithstanding, States may be sued in federal courts located in other States only when they, like Florida Prepaid, are doing business in, or have contacts with, those other States. Florida Prepaid's complaint comes with ill-grace from an infringer that has elected to profit from the marketing and sale of its infringing program and contracts outside the boundaries of Florida.

Florida Prepaid also contends that "states will frequently be exposed to suits alleging contributory infringement . . ."<sup>5</sup> Petition, p. 8. The

5. Florida Prepaid asserts that the consequences of allowing suits for patent infringement against States that sponsor prepaid tuition and tuition savings programs would be "severe" because "[m]any states have created programs similar to that administered by Florida Prepaid." Petition, p. 7 n.2. Florida Prepaid's argument is misleading to the extent it suggests that the States must infringe CSB's patented methods and apparatus to administer a prepaid tuition or tuition savings program, and that all of the existing programs sponsored by the States infringe CSB's '055 patent. Indeed, three of the state-sponsored programs identified by

frequency and location of such suits for the most part are in the hands of the States. States that do not contribute to the taking of patented property protected against deprivation by the Fourteenth Amendment will find that they are infrequently exposed to such suits.

Florida Prepaid also asserts that:

a single wrongly decided suit could cost a state millions, even billions, of dollars. Moreover, the threat of damage awards in meritless litigation could result in defensive settlements or cause a state to refrain from implementing new technologies.

Petition, p. 8. Florida Prepaid's argument applies to any lawsuit — not just actions for patent infringement. Any time Congress properly exercises its constitutional authority and enacts legislation abrogating the States' immunity, there is some chance that a suit brought pursuant to such a statute may be "wrongly decided." Florida Prepaid's argument suggests that Congress could never abrogate the States' immunity to enforce rights guaranteed by the Fourteenth Amendment because a suit against a State might be "wrongly decided." In any event, any State that feels an action has been wrongly decided may appeal, and the Court of Appeals — not the State — will review the matter to determine whether the decision was correct.

If the Patent Remedy Act causes a State to refrain from implementing new *infringing* technologies, the statute should be deemed a success. Congress is authorized to enact legislation to *deter* constitutional violations. *City of Boerne*, 117 S. Ct. at 2163. Absent the Patent Remedy Act, CSB suspects that it would be rare for a State to consider the property rights of a patentee whose invention they take to "implement new technologies."

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Florida Prepaid — Indiana, Kentucky and Louisiana — do not infringe CSB's '055 patent. The State of Montana has chosen to respect CSB's property rights and has entered into a contract pursuant to which CSB serves as program manager and account depository for the prepaid tuition savings program offered by Montana.

Throughout its Petition, Florida Prepaid argues that this Court's decision in *Seminole Tribe* stands for the proposition that Congress cannot enforce the protection of the Fourteenth Amendment against state-sponsored deprivation of patent property because patents are property created by laws enacted by Congress under authority of Article I:

Although *Seminole Tribe* acknowledged that the Fourteenth Amendment remains a legitimate source of congressional power to abrogate Eleventh Amendment immunity . . . the decision of the Court of Appeals here simply cannot be reconciled with *Seminole Tribe's* unequivocal denial of congressional power to abrogate under Article I. It is not enough to declare that patents are "property" and therefore subject to the protections of the Fourteenth Amendment. Such a strictly categorical analysis, which takes no notice of patents' foundation in Article I, fails to respect the constitutionally sanctioned value of state sovereign immunity . . . .

Petition, p. 15.

Florida Prepaid's attempt to read an exception into the Fourteenth Amendment to exclude property created pursuant to laws enacted under authority of Article I lacks any textual basis and is contrary to this Court's precedent. It has been clear for more than a century that the property rights secured by a patent are no different in the eyes of the Constitution than other property rights. This Court said as much in *Consolidated Fruit Jar*, 94 U.S. at 96: "A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions." Florida Prepaid cannot credibly argue that the Congress could not enact legislation to protect landowners from state-sponsored deprivation of their real property without due process of law and just compensation. Under this Court's precedent, Florida Prepaid's argument that Congress cannot enact legislation to protect patent property from state-sponsored deprivation is no more credible.

Florida Prepaid's attempt to differentiate patent property from other forms of property on the ground that Congress created patents pursuant

to its authority under Article I falls of its own weight. Money, like patents, is a form of property created by Congress pursuant to authority enumerated in Article I of the Constitution. U.S. Const., art. I, § 8, cl. 5. No one — not even Florida Prepaid — credibly could contend that Florida could deprive the citizens of New Jersey of their monetary property without due process of law and just compensation. *See Board of Regents*, 408 U.S. at 571-72. Florida Prepaid, however, never offers any reason why one form of property created by Congress under Article I — money — merits protection under the Fourteenth Amendment, while another form of property created by Congress under Article I — patents — does not.

Florida Prepaid's Article I argument is a red herring. The Fourteenth Amendment makes no distinction between different forms of property.

The Fourteenth Amendment's procedural protection of property is a safeguard of the security of interests that a person has already acquired in specific benefits. These interests — property interests — may take many forms.

*Board of Regents*, 408 U.S. at 576. Patents surely are one form of protected property. As the Court of Appeals noted, many of the forms of property that this Court has held are protected by the Fourteenth Amendment are not as securely grounded in this Court's historical jurisprudence as patents. *College Sav. Bank*, 148 F.3d at 1352-53 (App. A at 17a-18a). Once property is created and property rights vest in a person, the States cannot take that property without satisfying the demands of the Fourteenth Amendment with respect to due process of law and just compensation.

Florida Prepaid claims that:

The Court of Appeals acknowledged *Seminole Tribe's* limitation of Congress's Article I power, but rescued the Patent Remedy Act from unconstitutionality by holding that it can be treated as an exercise of enforcement power under section 5 of the Fourteenth Amendment.

Petition, p. 10. Florida Prepaid's argument suggests the Court of Appeals' holding that § 5 of the Fourteenth Amendment authorized enactment of

the Patent Remedy Act was an afterthought recently concocted to save the statute. Florida Prepaid forgets that Congress *explicitly* enacted the Patent Remedy Act in an exercise of its authority under the Fourteenth Amendment. The Court of Appeals did not "rescue" the Patent Remedy Act. The Court independently concluded that Congress' enactment of the Patent Remedy Act was authorized by the Fourteenth Amendment, and that the legislation meets the constitutional tests set forth by this Court.

Florida Prepaid argues in its Petition that:

Surely Congress is not free to transform exercises of Article I power, such as the regulation of patents, into applications of Fourteenth Amendment enforcement authority simply because the Fourteenth Amendment is Congress's only remaining source of power to abrogate the Eleventh Amendment.

Petition, p. 12. This argument fundamentally misapprehends the respective roles of Article I and the Fourteenth Amendment. Congress' power to create and regulate patent property pursuant to its authority under Article I is not related to its authority under the Fourteenth Amendment to enact legislation designed to deter the States from depriving patentees — and all other property holders — of their property without due process of law and just compensation. The fact that patent property rights were created by Congress under Article I has nothing to do with the question whether the Fourteenth Amendment authorizes Congress to enact legislation to enforce the substantive prohibition of the Fourteenth Amendment and prevent the States from taking that property without due process and just compensation. Article I *never* granted Congress authority to enact legislation abrogating the States' immunity from suit in the federal courts — that alone is the logical extension of this Court's holding in *Seminole Tribe*.

Congress did not "transform" its Article I powers when it enacted the Patent Remedy Act, it exercised its authority under a wholly separate set of powers — powers explicitly ceded to Congress by the States when they ratified the Fourteenth Amendment. Congress created patent rights using its Article I powers; it protects the rights of patent

holders against infringing States under authority of the Fourteenth Amendment.

Florida Prepaid argues in its Petition that:

Unlike the Court of Appeals here, other courts have recognized the need to avoid “eviscerating” the Eleventh Amendment when either approving or rejecting abrogations of immunity. Post - *Seminole Tribe* decisions that have upheld congressional abrogations of Eleventh Amendment immunity have done so where the traditional guarantees of the Fourteenth Amendment were very closely implicated.

Petition, p. 13. Florida Prepaid then cites three recent cases upholding the constitutionality of statutes enacted to enforce the Equal Protection Clause of the Fourteenth Amendment. Florida Prepaid never explains why cases that stand for the proposition that Congress has authority under § 5 of the Fourteenth Amendment to enforce the Equal Protection Clause, somehow support the proposition that Congress lacks authority under § 5 to enforce the Due Process Clause and prohibit the States from depriving persons of their property without due process of law and just compensation.

Florida Prepaid also does not explain why statutes designed to enforce the Equal Protection Clause more closely implicate the “traditional guarantees of the Fourteenth Amendment” than statutes like 35 U.S.C. §§ 271(h) and 296, which are directed to enforcing the substantive guarantees of the Due Process Clause. It is Florida Prepaid — not the Court of Appeals — that seeks to “eviscerate” a constitutional amendment — the Fourteenth Amendment. Florida Prepaid continues here its attempts to read the Due Process Clause out of the Fourteenth Amendment and to limit Congress to legislation designed to prevent “insidious discrimination.” Florida Prepaid’s continuing, baseless attempt to limit the scope of the Fourteenth Amendment should again be rejected here.

Florida Prepaid contends that the inclusion in the Patent Remedy Act of the possibility of an award of treble damages and/or attorney fees renders that statute unconstitutional:

The Court of Appeals describes the means of the Patent Remedy Act as “modest and circumscribed,” App. A at 24a, yet admits that they include, among other things, treble damages and attorney’s fees . . . — harsh remedies normally applied punitively, or when exceptionally strong deterrence is required . . . .

Petition, p. 19. Florida Prepaid admits that an award of treble damages or attorney fees only occurs in “exceptional” circumstances. See 35 U.S.C. § 285. An example of such an exceptional circumstance is infringement that is willful and deliberate on the part of the infringer. Florida Prepaid admits that “exceptionally strong deterrence” is required for infringers that knowingly take the patent property of others with disregard for the patent owner’s rights. The same enforcement rationale applies to the States. States that are inclined to willfully and deliberately violate the constitutional rights of patent owners require “exceptionally strong deterrence.” Congress is authorized to deter such constitutional violations. *City of Boerne*, 117 S. Ct. at 2163.

The Patent Remedy Act is a paradigm of proportionality. In unexceptional cases it provides the patentee whose property has been taken by a State with a remedy in the form of “damages adequate to compensate for the infringement.” 35 U.S.C. § 284. In exceptional cases, when a State willfully and deliberately infringes a patent, Congress has provided a remedy designed to create the disincentive necessary to deter future acts of bad faith willful infringement. 35 U.S.C. §§ 284, 285. This Court itself has acknowledged that legislation providing for an award of attorney’s fees can be an appropriate method of enforcing the guarantees of the Fourteenth Amendment:

Moreover, even if the Eleventh Amendment would otherwise present a barrier to an award of fees against a State, Congress was clearly acting within its power under § 5 of the Fourteenth Amendment in removing that barrier. Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment. A statute awarding attorney’s fees to a person who prevails on a Fourteenth Amendment claim falls within the category of “appropriate”

legislation . . . . We agree with the courts below that Congress was acting within its enforcement power in allowing the award of fees in a case in which the plaintiff prevails on a wholly statutory non-civil-rights claim pendent to a substantial constitutional claim . . . .

*Maher v. Gagne*, 448 U.S. 122, 132 (1980).

Florida Prepaid asserts there is no need for the Patent Remedy Act because a patentee could seek state-law remedies: "the Court of Appeals improperly derogates state-law remedies that provide due process, avoiding a constitutional violation altogether." Petition, p. 20. Florida Prepaid misapprehends the pertinent question. Congress — not the Court of Appeals — has determined that the state law remedies are inadequate to secure to patent owners the substantive protection guaranteed property owners by the Fourteenth Amendment. Congress, exercising its discretion to enforce the substantive protection guaranteed by the Fourteenth Amendment against the States, has determined that the procedures and remedies that may be provided by some of the States are not likely to provide patent owners with "due process of law" or "just" compensation as required by the provisions of § 1.

Florida Prepaid points to *Jacobs Wind* to support its contention that state law remedies are adequate. The fact is that Congress enacted the Patent Remedy Act in response to the Court of Appeals' ruling in *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 919 F.2d 726 (Fed. Cir. 1990), which held that at that time, Congress had not enacted legislation abrogating the State's immunity from patent infringement suits. *College Sav. Bank*, 148 F.3d at 1347 (App. A at 6a) ("In response to our decisions in *Jacobs Wind* and *Chew*, Congress amended the patent laws to express unambiguously its intent to abrogate the sovereign immunity of the states.") Congress clearly was aware of and rejected as inadequate the state law remedies extant at the time Congress enacted the Patent Remedy Act. S. Rep. No. 102-280, at 5-6 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3091-92.

In its Petition, Florida Prepaid extols the virtues of forcing patentees to pursue the "alternative remedy" of "suit[s] for injunctive relief pursuant to *Ex Parte Young*." Petition, p. 19. Florida Prepaid asserts that an *Ex Parte Young* action "could ensure a state's compliance with federal

law and preserve a patent-holder's property."<sup>6</sup> Petition, p. 19. It is not surprising to CSB that Florida Prepaid finds such an "alternative remedy" preferable to a patent infringement action. A successful *Ex Parte Young* action would provide only prospective relief in the form of an injunction against a state official, and would do nothing to compensate a patentee for patent property taken by past infringement. This case, for example, has been pending for four years and was brought in response to at least two previous years of infringement by Florida Prepaid. CSB already has lost six years of the exclusivity in the practice of its patented invention that is supposed to be secured by CSB's patent, and has suffered substantial damages as a result of Florida Prepaid's improper taking. An *Ex Parte Young* injunction would not offer any compensation to CSB for its lost property, nor would it provide CSB with the process due before Florida Prepaid took that property.

Florida Prepaid asserts that "[i]t is no answer to say that the relief available under *Ex Parte Young* 'falls far short of the protection that Congress has provided.' " Petition, p. 19. Florida Prepaid is wrong. It is because the relief available under *Ex Parte Young* plainly is so insufficient to enforce the guarantees of the Fourteenth Amendment that Congress had to enact the Patent Remedy Act. Congress' decision in that regard need not be "justified." On the contrary, this Court's decisions make it plain that Congress' decision is entitled to great deference. *City of Boerne*, 117 S. Ct. at 2172. It is not surprising that Florida Prepaid would prefer to infringe patents for years, with no risk of being held accountable to compensate the patent owners whose property they improperly have taken. The remedy available to patent owners by way of an *Ex Parte Young* action — the possibility of a prospective injunction with no compensation for past infringement after a long legal battle with a State — offers little protection to the owner of a patent deprived of his property by a State. No compensation for a past taking hardly is "just" and more process before such a taking plainly is "due" under the express guarantee of § 1 of the Fourteenth Amendment.

6. Florida Prepaid also points to the alternative remedy of "suits by the federal government against a state in federal court." Petition, p. 19. It is not clear to CSB how such a "remedy" has any application in the context of state-sponsored infringement of a privately-owned patent, or how a private patent owner would be compensated as a result of such a suit.

**CONCLUSION**

For all of the foregoing reasons, CSB respectfully requests the Court to deny Florida Prepaid's "Petition for Writ of Certiorari."

Respectfully submitted,

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